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Election Analysis:

THE T.I.M.E. INITIATIVE

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The following flaws of the initiative argue against its approval:

The preamble claims that “The TIME Initiative will reduce congestion, offer modern transportation choices and preserve our spectacular open spaces...”

“The plan imposes strict performance and accountability measures to ensure that money is being used efficiently...”

Other than the general assumption that building more transportation infrastructure has got to lead to some improvement, there is no data or analysis, there are no standards for assessing performance, there is no real accountability, the assertion that money will be used efficiently is unsubstantiated.

Section 28-503.01 asserts that “The Board shall apply its performance based planning and programming processes...”

This sounds good on paper. However, the Board has neglected to fulfill the statutory requirements for performance measures laid out in 28-504. These requirements were enacted in 2002. ADOT has had six years to comply, but has yet to do so. This demonstrates a lack of accountability that undermines the credibility of the TIME claim that this initiative will be any different than the previously ignored performance requirements.

28-9321 establishes new authority for ADOT to own and operate public transportation systems.

Given the failure of ADOT to carry out statutory requirements in its ownership and operation of highways is it wise to extend the scope of authority to public transportation?

28-9321 (8) exempts this public transportation from following normal procurement processes.

Normal procurement processes for ADOT currently require competitive bidding—unless it is impractical to do so. The TIME Initiative would allow ADOT to use non-competitive methods at the discretion of the Director.

28-9323 establishes authority for ADOT to bond against the anticipated sales tax revenues. Section C of 28-9323 ensures that once tax revenues are pledged to support bond repayment, the sales tax may not be reduced.

28-9332 (A) calls for performance audits AFTER the sales tax money is already spent starting in 2015 and at five-year intervals thereafter.

This is the same language that appeared in the legislation setting up Prop 400. While it sounds good, its “after-the-fact” nature makes it toothless. When the legislature held hearings on the Prop 400 legislation its author Rep. Gary Pierce promised that no new money would be committed to light rail until after the first performance audit in 2010. Yet, the TIME Initiative commits \$600 million to light rail before the audit, before even the first passenger has been carried. The implication here is that these are just words meant to placate taxpayers. There is no intention for them to actually have any effect on the spending.

28-9332 (B) lists the type of factors that are to be used in the rail performance audit.

Sadly, though, no standard for success vs. failure is established. How many riders need to be carried for the rail service to be judged a success? What cost per passenger or per passenger-mile marks the boundary between success and failure? The absence of any specifics leaves no benchmark for assessing the performance of the proposed service. Combined with the total absence of any projected ridership and costs for the proposed service, the groundwork has been laid for endless deficits and outrageously costly, yet low performing rail passenger trains.

28-9342 (A) establishes a “Passenger Rail Project Committee”

The majority of this committee is comprised of appointees who serve at the pleasure of the governor. There is no provision for legislative participation. In essence, the governor will be empowered to direct the building of a rail line wherever she pleases. This is an invitation for influence pedaling.

28-9342 (D)(9) states that the committee MAY consider cost-effectiveness as one of nine factors in its decision making.

Of course, this means that the committee need not consider cost-effectiveness. Even if the committee were to announce it is considering cost-effectiveness, there is no standard established. How much cost per passenger or per passenger-mile is too high to be considered cost-effective? Rail costs per passenger-mile are typically higher than for buses or automobiles. Since we know this going in, how could we possibly

justify spending tax dollars on rail passenger service if we are truly concerned with cost-effectiveness?

28-9343 (13) states that the committee MAY use “any other criteria the committee deems appropriate” in deciding what rail projects to build and operate.

So, not only is real cost-effectiveness not a mandatory requirement, the committee would be authorized to base its decisions on any factors it pleases. Sanity and prudence could legally be discarded in favor of the inane and undefined goal of providing a so-called “balanced” transportation system. This is the proverbial “blank check.” Waste of scarce resources is the inevitable outcome.

28-9352 allocates the taxes to assorted categories of spending.

There is no supporting data or analysis to verify that this allocation formula makes sense. Why, for example, should 18 percent of the \$40 billion be allocated to rail passenger service? Rail passenger service will not carry anything close to 18 percent of the traffic. Rail is unlikely to carry even 1 percent of the statewide traffic. Rail costs more and carries less than highways. Why should it get so much more per person served than the highway portion of the transportation system?

28-9352 the ADOT Board is authorized to decide on what projects are to be funded.

Unlike previous transportation initiatives, no specific facilities are promised. Voters aren’t really being asked to assess an investment portfolio of transportation facilities. They are being asked to assess themselves for \$40 billion in higher taxes and to have faith that the Board will wisely spend this money.

42-5010.01 adds one percent to the state sales tax

A sales tax for transportation purposes is both inefficient and inequitable.

The sales tax is inefficient because it will undermine the congestion relief that the levy is supposed to accomplish. The demand for a product is influenced by the price. Building transportation facilities with sales taxes subsidizes travel. This aggravates traffic congestion. A more efficient means for funding transportation would be to charge users in proportion to the costs incurred to serve them. For example, studies consistently show that heavy vehicles (semi-trucks and the like) underpay for the damage and space demands they impose on the roads. This underpayment stimulates behavior that shifts the burden to other drivers and the general taxpayer. The cycle of congestion and premature deterioration of pavements is fueled by the use of inefficient taxes to fund the roads. The further we move away from user-financed roads the worse the financial situation will become.

The sales tax is inequitable because it allows favored groups to benefit while imposing costs on others. The need for transportation services is not proportional to the payments each person makes in sales taxes. Big consumers of transportation services (like truckers and rail passengers) are able to pass a large share of their bill onto others. Developers who create growing demand for new roadways ought not to be able to pass the burdens onto others. Yet, Governor Napolitano, in direct contradiction to the principle of equity, crassly absolved this industry from paying a fair share of the costs of new roads in exchange for a measly \$100,000 contributed—not to help pay for roads—but to help finance the TIME campaign to dupe voters into further subsidize this favored industry.

Conclusion

The TIME Initiative is the starkest money grab ever put before Arizona voters. Its enactment commits the government to nothing. The money will be spent as the bureaucrats and selected politicians see fit. Key interest groups will profit handsomely. Taxpayers will be stuck with the bill with no legal recourse if the funds are frittered away on low-yielding investments or decisions are made on blatantly political grounds.

ANALYSIS OF THE STATEWIDE TRANSPORTATION INVESTMENT STRATEGY

While not legally linked to the TIME Initiative, ADOT's "Statewide Transportation Investment Strategy" has been touted by ADOT Director Victor Mendez as a possible outline for what ADOT will do with the sales tax money.

This "Strategy" is purportedly based on a list of so-called "critical needs" that was submitted to Governor Napolitano. The use of the word "needs" implies that some sort of analysis has been performed. If, in fact such an analysis has been undertaken, the "Strategy" reveals nothing of it. All that is presented is a list of projects and estimated costs. There is insufficient information with which to evaluate the benefits vs. costs of the listed projects, much less the other \$120 billion of work that Mendez says is needed. There is no way for us to know whether the list selected is optimal. We are asked to just take ADOT's word for it.

A clue to the inanity of this "Strategy" is Mendez's assertion that the rail element represents "forward thinking." Moving people in groups by train was forward looking in the 19th century when the alternative was the horse. It's not forward looking in our modern society. Trains have lost market share such that they handle less than 1 percent of the travel. The reason is trains are expensive. They require a separate infrastructure unusable by other vehicles. Trains are inconvenient. Would-be passengers must find a way to the station where they must wait for a train. They'll likely have to endure stops along the way. They may have to disembark and wait for a connecting train before reaching their rail station. Then they are faced with getting from the rail station to their ultimate destination.

Nothing in the “Strategy” will change these dynamics.

Backers of rail passenger service point out that rail freight is very efficient. However, rail freight achieves economies by accumulating cars in a switching yard and moving them when an efficient quantity has been rounded up. While freight might not mind sitting around for hours while a train load is put together, people won’t stand for it. The efficiencies of rail freight cannot be duplicated by rail passenger operations.

The “Strategy” isn’t really a plan. It’s a lure for the incautious and gullible. It is, perhaps, the lamest transportation scheme anyone has ever tried to sell to voters in any state. The ADOT Director says he is proud of this “Strategy.” If he is sincere, he is one of the most easily impressed persons to head any state DOT. If not, he must think that the voters of Arizona are fools.